

MINUTE ITEM

This Calendar Item No. C37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 3
to 0 at its 4-28-93
meeting.

CALENDAR ITEM

C37

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04/28/93

W 40651

Nitsche

PRC 7688

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
SACRAMENTO AND YOLO COUNTIES

PROPOSED LESSEE:

Venada National
Attn: Ronald D. Leineke
2580 Sierra Blvd., Suite A
Sacramento, CA 95825

AREA, TYPE AND LOCATION OF STATE LAND:

Venada National has submitted a complete application for a negotiated subsurface (no surface use) State oil and gas lease on approximately 50 acres in the bed of the Sacramento River, Sacramento and Yolo Counties, California (see Exhibit "A" for land description).

LAND USE:

Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease which would permit Commission-approved slant drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

Venada National has oil and gas leases on all of the private property adjacent to the State land on the Yolo County side of the Sacramento River. Venada National has been advised by the City of Sacramento that a special permit would be required to drill a well within the city limits of Sacramento and that such a request likely would be denied by the Planning Commission. There are, therefore, no drill sites available to develop the State's oil and gas resources from the Sacramento County side of the river. Venada National has approval from Yolo County (Lead Agency) to drill oil and gas wells on the private property adjacent to the State land. Venada National plans to drill

directionally a well into State lands bottoming in the Yolo county side of the Sacramento River.

AUTHORITY:

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State lands, the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional mineral interest in the lands, or the Commission determines the lease to be in the best interests of the State.

Because the Applicant controls by lease and agreement all of the private property available for drill sites adjacent to the State land described in Exhibit "A" and because the Applicant has Yolo County (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been satisfied. A negotiated subsurface (no surface use) State oil and gas lease with the Applicant will protect oil and gas resources that may underlie the State land which is unsuitable for competitive bidding.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty years and for so long thereafter as oil and gas is produced in paying quantities from the leased lands, or so long as the lessee is diligently conducting producing, drilling, deepening, repairing, re-drilling or other necessary lease or well maintenance operations in the leased lands.
2. No right to use any portion of the leased lands to a depth of 500 feet for drilling locations, producing facilities or related oil and gas operations.
3. All development of the leased lands shall be accomplished from surface locations on adjacent lands.
4. All drilling into the leased lands shall be by slant drilling from surface locations on adjacent lands and

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shall be on a course and to an objective approved in writing by the Commission's staff prior to the commencement of drilling.

5. Compliance with all applicable laws, rules and regulations of Federal, State and local governments and receipt of all necessary permits or approvals prior to slant drilling into the leased lands.

NEGOTIATED LEASE PROVISIONS:

1. Drilling term of three years. However, if all or part of the leased lands are included in a Commission-approved pooled area or unit, then drilling operations on and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from the leased lands that are included in the Commission-approved pooled area or unit.
2. Annual rental of \$25 per acre (\$1,250 for approximately 50 acres).
3. Royalty of 25 percent on gas and oil.
4. Performance bond or other security in the sum of \$5,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee, processing costs, first year's rental and duly executed State Oil and Gas Lease (Negotiated-Subsurface-Royalty) have been received and are on file in the Commission's Long Beach office.

AB 884:
09/11/93.

OTHER PERTINENT INFORMATION:

1. CEQA Guidelines Section 15378(a)(3) identifies an activity involving the issuance to a person of a lease as a "project". However, if the site of the project or area in which the major environmental effects will occur is located on private property within the county, that county will have jurisdiction by law and will be the Lead Agency over the project pursuant to CEQA Guidelines Section 15366.

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2. Yolo County is the Lead Agency for approving oil and gas well drilling in the County. Development of oil and gas wells in an agricultural area of the county is governed by Section 8-2.2610 of the County Ordinance Code. Drilling a gas well in an agricultural area does not require the granting of a land use permit. For the purposes of complying with the California Environmental Quality Act, the County has adopted a categorical exemption (Class 3) for this type of project in agricultural areas of the County.
3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes, in consideration of the action taken by Yolo County under its code, there is no possibility that this project may have a significant effect on the environment.

Authority: 14 Cal. Code Regs. 15061(b)(3).

EXHIBITS:

- A. Land Description
- B. Site Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. (14 CAL. CODE REGS. 15061(b)(3)).
2. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE IS THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT "A" AND THAT THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.

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3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH VENADA NATIONAL. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 50 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$1,250 FOR APPROXIMATELY 50 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

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EXHIBIT "A"

W 40651

LAND DESCRIPTION

A parcel of the State-owned sovereign land in the bed of the Sacramento River, Sacramento and Yolo Counties, California, bounded as follows:

Bounded on the north by the north bank of the Sacramento River.

Bounded on the west by a line 520 feet East and running parallel with the prolongation of the west line of Swamp and Overflowed Survey 372, Yolo County.

Bounded on the south by the south bank of the Sacramento River.

Bounded on the east by the prolongation of the east line of Swamp and Overflowed Survey 372, Yolo County.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark of the Sacramento River.

END OF DESCRIPTION

PREPARED APRIL, 1992 BY LLB

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